

## CHAPTER 1 SECTION 4.3

### OUTPATIENT OBSERVATION STAYS

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#### I. PROCEDURE CODE RANGE

99217, 99218 - 99220, 99234 - 99236

#### II. DESCRIPTION

Outpatient observation stays are those services furnished by a hospital on a hospital's premises, including the use of a bed and periodic monitoring by a hospital's nursing or other staff, which are reasonable and necessary to evaluate an outpatient's condition or determine the need for a possible admission to the hospital as an inpatient. Such services are provided when ordered by a physician or another individual authorized by State licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests.

#### III. POLICY

A. A person is considered a hospital inpatient if formally admitted as an inpatient with the expectation that he or she will remain at least overnight. When a hospital places a patient under observation, but has not formally admitted him or her as an inpatient, the patient initially is treated as an outpatient to determine the need for further treatment or for inpatient admission.

B. Cost-sharing of observation services, subsequent to ambulatory surgery reimbursement under the prospective ambulatory group payment, is covered if determined that placement on observation is medically necessary.

C. Cost-sharing of outpatient observation services is covered following care provided in an emergency setting.

D. Cost-sharing at the observation level or outpatient level should be considered for inpatient denials when the services rendered are medically necessary, but provided at an inappropriate level of care.

E. Cost-sharing of outpatient mental health observation is covered.

F. Outpatient observation stays generally should not exceed 23 hours.

G. Up to 48 hours of outpatient observation services may be authorized by the Contractor when medical necessity has been clearly demonstrated. If an observation stay is for more than 48 hours, the claim shall be processed as inpatient.

H. Time spent in a recovery room following surgery should not be included in the 23 hour limit.

I. The time of admission to an observation bed is counted as the first hour of observation and is rounded to the nearest hour. The number of hours of observation should be indicated in the units field on the UB-92 claim form. If the patient has more than 23 hours of observation show all hours of services provided in the units field.

J. Outpatient observation services are billed using the revenue code 762 with the description listed as Observation Services. This code includes room and board services.

K. A separate authorization for outpatient observation is not required.

L. Prime enrollees who receive emergency care as an outpatient observation stay must report their admission within 72 hours to the contractor.

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